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SUBJECT: MOROCCO ECONOMIC HIGHLIGHTS

-- Reaping Benefits of Privatization
-- Firing Phantoms
-- 2004 Customs Receipts Up
-- Revised Growth Figures
-- Daylight Savings
-- Workday shift
-- FTA Website
-- Rabat's Rodeo Drive

Reaping Benefits of Privatization

1. Sixty-six state-owned companies were fully or partially privatized by the GOM since 1993, earning nearly \$9 billion for the state, according to Abdelaziz Talbi, Director of Public Enterprises at the Ministry of Finance. Morocco ranked first in privatization receipts among Arab countries and third among African ones, in 2004. Privatization transactions also allowed capitalization of the Casablanca Stock Exchange to rise from \$590 million to \$24.2 billion between 1989 and 2004. The larger companies fully or partly privatized during the period were Maroc Telecom and Rgie des Tabacs (tobacco distribution company). From 1992 to 1996, USAID supported Morocco's privatization program through a \$25 million project. According to a recent GOM study, privatized companies' turnover increased by 35 percent on average, dividends improved by 48 percent, and taxes transferred to the government went up 55 percent. Recent privatizations are "one offs," however, and the GOM relies too heavily on privatization receipts to plug fiscal deficits.

Firing Phantoms

2. The Moroccan Government suspended the salaries of 415 "phantom" civil servants, as part of a crack down on what is known in Morocco as "the phantom civil servants" phenomenon. Speaking at the House of Representatives, Minister of Modernizing the Public Sector Mohamed Boussaid said the GOM is studying means to fight the phenomenon of civil servants who get paid despite consistent absence and failure to fulfill their duties. Morocco counts about 700,000 civil servants whose wages absorb over \$7 billion a year, or about 12.5 percent of GDP. The World Bank has identified the bloated civil service as a major cause of Morocco's chronic budget deficits.

2004 Customs Receipts Up

3. Despite the removal of tariffs required by Morocco's recent FTAs and liberalization efforts, Moroccan customs revenues reached \$5.16 billion in 2004, a 6 percent rise over 2003. Customs Director General Abdellatif Zaghnoun said the impressive results were due to a 38 percent increase in VAT collection as well as similarly steep increases in Customs collection of domestic consumption taxes.

Revised Growth Figures

4. The GOM revised its 2004 GDP growth to 4.2 percent. These final figures contrast with a provisional 3.5 percent published early this year and compare unfavorably to the 5.5 percent growth experienced in 2003. In February, the government statistics body said that the Moroccan economy is expected to grow modestly in 2005, forecasting a 2.6 percent

increase of GDP. Excluding the agricultural sector, the economy is expected to grow in 2005 at 3 percent.

Daylight savings

15. On May 23, Prime Minister Jettou announced that King Mohammed VI had decreed that Morocco will implement daylight savings time during summer months. Local time in Morocco will "spring forward" one hour from GMT beginning in July. Jettou said that economic considerations -- including projected energy savings and increased workday overlap with continental Europe (which during the summer has been at least two hours ahead) led to the decision. Morocco will be five hours ahead of EDT when the change takes place.

Continuation: Workday shift

16. Prime Minister Jettou announced May 23 that in July the government and parastatal companies will adopt "continuous work hours" rather than the current two shifts separated by a long lunch hour. Civil servants will work from 8:00 AM to 4:00 PM with a short lunch pause, breaking the Mediterranean "long lunch" tradition that resulted in four rush hours per day and lost productivity. The government emphasized energy savings as the main impetus for the change. The GOM has traditionally adopted "continuation" during summer months and during the holy Ramadan fasting month. The new work hours are scheduled to begin on July 4.

MEPI: FTA Website Gets Over 1 Million Hits

17. On May 26, American Chamber of Commerce (AmCham) Executive Director Carl Dawson briefed Ambassador Riley on the impact of the U.S.-Morocco FTA Website (www.moroccousafta.com), funded by State Department BFIF funds and a MEPI small grant. In 2004, the website logged over 1.25 million hits representing over 13,500 individual users. Site visitors downloaded nearly 61,000 files, evidence that the website is fulfilling its planned role as the initial and primary source of information on the agreement. Top file downloads were: the FTA summaries in French and English, the AmCham presentation on accessing the U.S. market, and the tariff schedule annexes. Dawson estimated that 54 percent of users were U.S. based, 37 percent in Morocco, and 4 percent in France, but noted that such figures underestimated potential Morocco-based hits due to webhosting issues. Dawson also previewed the site's future expansion (also funded by a MEPI Small Grant) to include a moderated discussion board and an online database for resumes and offers of employment.

Shop Till You Drop: Rabat's Rodeo Drive

18. Prince Moulay Rachid, younger brother of King Mohammed VI, dedicated the largest trade and leisure mega-mall in Morocco (second only to a similar one in South Africa on the African continent). The mega-mall, which is built on 26,367 square meters and cost about \$26 million, employs some 1,200 people, directly and indirectly. The Rabat complex - designed by a Moroccan architect - includes 1,828 square-meter ice skating rink, fast-food restaurant, bowling alleys and a children's playground. Some 3,000 people are expected to visit the mall daily.